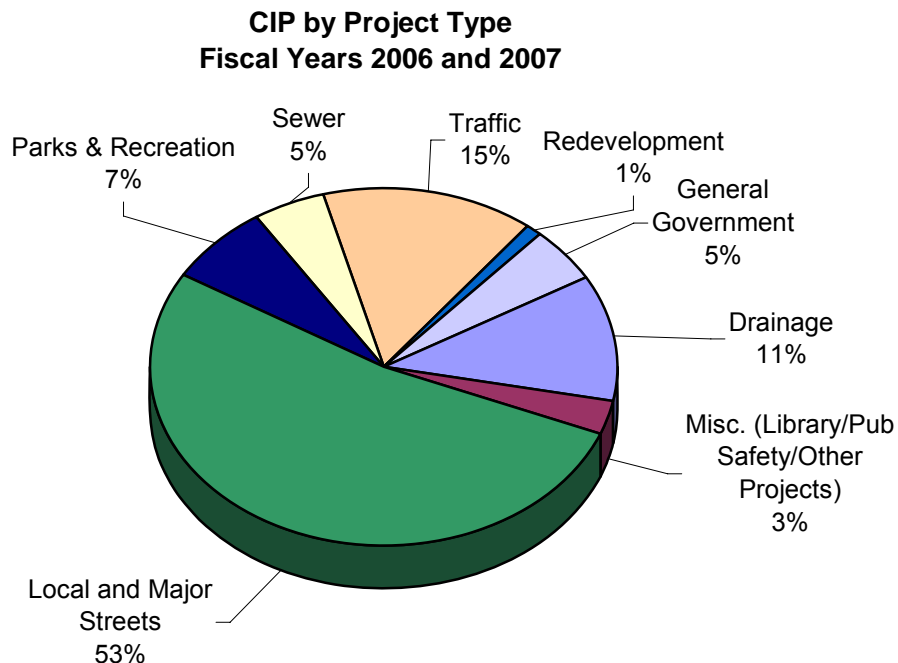


CAPITAL IMPROVEMENT PROGRAM SUMMARY

FISCAL YEAR 2006 & 2007 EXPENDITURE SUMMARY

The capital budget complements the operating budget by providing funding for major capital projects. The fiscal year 2006 Capital Improvement Program (CIP) plan includes \$12,740,150 in funding. For fiscal year 2007 the CIP budget totals \$9,227,644. It should be noted that there is significantly more expenditure expected in the next two fiscal years however the City's policy is to budget for a project when the design phase is nearing completion, when costs are much more predictable. The full value of the CIP program including those projects that were established and funded prior to this budget cycle is \$193,142,570. The majority of the funding recommended with the adoption of the budget pertains to the rehabilitation/improvement of existing facilities. The chart below provides a breakdown, by project type, of the total \$22.0 million of additional appropriations proposed with this budget.



As the City continues to grow and develop, we will continue to strive to utilize our resources in an efficient and economical fashion. As new facilities are developed, whether they are parks, buildings, streets or other facilities, staff will endeavor to make sure that they are designed and constructed in a manner that facilitates energy and water conservation, are maintainable in efficient and cost-effective ways and serve the needs of the City, its residents, businesses and staff.

Building and Park Projects

It is estimated that the total cost of building construction over the next 5 to 10 years will exceed \$125 million, which includes the renovations to the Civic Center Complex, Rancho Del Rey Library, various recreational facilities, new and renovated parks, new and renovated fire stations and other projects.

The funding sources for these projects will include development impact fees (DIF), community development block grants (CDBG), residential construction tax (RCT), redevelopment funds (RDA), grants and the General Fund.

While no funding is specifically requested as part of the budget, a \$50.4 million renovation of the entire Civic Center Complex is well underway. The first phase, the new City Hall will be completed and ready for use in the fall of 2005. This \$23 million facility will include an improved and enlarged Council Chambers, and offices for the City Council, City Administration, City Attorney, City Clerk, Office of Budget and Analysis, Office of Communications and the Finance Department.



Upon the completion of the City Hall, the second phase - the complete renovation of the Public Services Building will start. This phase, which also includes site improvements in Memorial Way has a cost of \$12.4 million. At completion the Public Services Building will house the City's Development Services Departments: Planning and Building, Community Development and Engineering. The third phase of the project is the renovation of the former Police Department. Phase 3 will commence upon the completion of Phase 2. The cost of Phase 3 is \$15 million and includes substantial improvements to the interior and exterior of the building. When completed it will provide a home for the Human Resources Department, Recreation Department, MIS Department, portions of the Building and Planning Department, portions of the Engineering Department and the Chula Vista Credit Union. It is anticipated that Phase 3 will be completed by late summer/early fall of 2008.

be completed in fiscal year 2006 including Mountain Hawk Park in Eastlake Vistas, and Horizon Park and Winding Walk Park in Otay Ranch. During fiscal year 2005, Council approved design/build agreements and guaranteed maximum prices on three major community parks; Veterans Park in Sunbow (\$8.9 million) (pictured on the preceding page), Montevalle Park in Rolling Hills Ranch (\$14.7 million) and Salt Creek Park in Eastlake Trails (\$15.5 million). These parks all contain recreational buildings. All three of these parks and recreation facilities will be completed in fiscal year 2006. In addition to these facilities, the first new park in western Chula Vista to be built since 1979, Harborside Park, (\$2.1 million) will be completed in fiscal year 2006.

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Infrastructure Projects

The infrastructure portion of the CIP budget contains significant funding for a variety of infrastructure improvements. As discussed above and elsewhere within the City's budget, a substantial amount of the funding is focused on infrastructure improvements in the western portion of the City.

There were a number of significant infrastructure projects undertaken in prior years, which are not a part of this budget but will result in significant improvements for the residents and businesses of the City. The largest of these is improvements to the highway interchange on I-805 at Orange Avenue/Olympic Parkway. This \$21 million interchange will improve accessibility and traffic flow on both Orange Avenue and Olympic Parkway and relieve congestion on I-805, particularly the on and off ramps during peak hours. Construction will be completed by January 2006. Two other major projects, East H Street / I-805 Interchange (\$3.3 million) and Telegraph Canyon Road / I-805 Connection (\$3.0), are also designed to ease traffic congestion: both of these projects are nearing completion.

With the adoption of the fiscal year 2004 and 2005 budget, the City Council approved a financing plan for infrastructure improvements in western Chula Vista. This financing plan revolved around a two-pronged financing program. One element of the program was a \$9 million bond issue that would be repaid from the City's Residential Construction Tax (RCT) revenues. That financing was completed in late summer of 2004. This portion of the financing was earmarked for drainage and park improvements. With the receipt of those funds, work has started on a number of drainage projects in western Chula Vista. A total of \$2.7 million has been earmarked for drainage projects in the budget, \$1.1 million of which comes from the bond proceeds. In addition to these projects, the City is in the midst of a comprehensive analysis of the City's corrugated metal pipe (CMP) inventory. Upon completion of the analysis, approximately \$2.5 million of the bond proceeds will be dedicated to CMP rehabilitation projects.

The second portion of the financing was to be funded through an \$11.9 million loan through the US Department of Housing and Urban Development's (HUD) Section 108 loan program. The loan would be repaid through the City's annual Community Development Block Grant (CDBG) entitlement from HUD. This portion of the financing was earmarked for street improvements in the Castle Park area, park improvements, and



construction of a new Fire Station 5. Due to issues that have arisen with the City's CDBG program, the City has not been able to proceed with the loan procurement process. It is anticipated that with the efforts undertaken by City staff over the past year to correct the problems in the CDBG program that the process of obtaining this portion of the financing can move forward.

In advance of that effort, the City has procured Jobs to Housing Balance grant funds that will be dedicated to the first two assessment districts (Dixon Drive and Tobias Drive between Naples and Oxford) to move forward in the Castle Park neighborhood. In addition to these projects, a significant sidewalk installation project on the streets surrounding the Castle Park Elementary School and on Fourth Avenue from L Street to Orange Avenue will move forward in fiscal year 2006.

Other major efforts are the City's annual pavement management program, which will be funded at a level of \$2.5 million. Over the past three years, the City has expended \$8.1 million on pavement rehabilitation projects with \$7.1 million spent in western Chula Vista. The City needs to also undertake efforts to maintain the streets in eastern Chula Vista and it is recommended that the fiscal year 2006 pavement management project focus on various seal coat treatments on eastern Chula Vista streets. The seal coats that the City employs protects the existing asphalt concrete pavement and extends the life of the streets, thus reducing the need to do major resurfacing or reconstruction of those streets. It is also proposed that the City develop a new pavement management system to better assess, track and manage our pavement conditions.

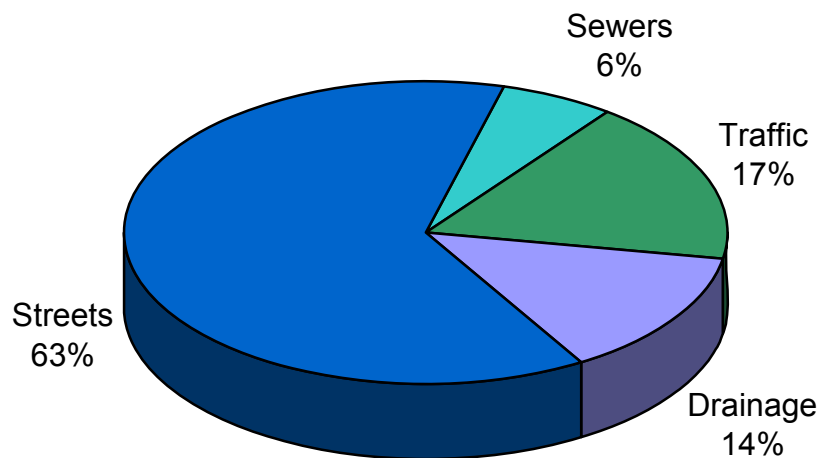
In addition to the pavement management and rehabilitation projects, the CIP contains significant funding for the construction of missing or the rehabilitation of sidewalks. A number of sidewalk projects are included in the program with a total cost of \$3.4 million. Also included in the program is an increase in the City's efforts to bring its curb ramp program into

compliance with the American With Disabilities Act. This effort, funded at approximately \$75,000 per year over the past few years is increased to over \$250,000 in fiscal year 2006. This increased funding will enable the city to increase its efforts in this area and comply with new construction standards that have increased the cost of a typical curb ramp several fold.

Also included in the budget is funding for the City's first ever Pedestrian Master Plan \$150,000. This effort will identify missing pedestrian improvements, establish priorities, and provide a mechanism for logical programming of future capital improvement projects that improve connectivity among existing facilities.

The following provides a breakdown of the major infrastructure categories and their funding levels for fiscal years 2006 and 2007.

**Infrastructure Projects by Type
Fiscal Years 2006 & 2007**



Capital Equipment

In fiscal year 2006, there are a number of minor equipment purchases and one major capital equipment upgrade. This larger project is a \$370,000 energy efficiency improvement project to the John Lippitt Public Works Center's HVAC system. The energy savings estimated from this equipment upgrade is approximately \$90,000 per year; therefore the project will have about a four-year payback period that is extremely favorable. Other equipment upgrades include a \$200,000 upgrade to the City's Permits Plus program and a \$120,000 purchase of new survey equipment.

FISCAL YEAR 2006 & 2007 REVENUE SUMMARY

In the fiscal year 2006 and 2007 Capital Improvement Program, there are a number of key funding sources; to follow is a brief description of the most programmed funding sources.

Transportation Sales Tax

Transportation Sales Tax (TRANSNET) funds are derived from sales tax revenues that is collected by the State specifically for use on transportation related projects. The regional metropolitan planning agency, San Diego Association of Governments (SANDAG) programs these funds to municipalities within San Diego County. Revenues vary from year to year depending of the amount of sales tax available to the region and the number and costs of projects for which municipalities request funding. The revenue approved for municipalities is based on the specific cost estimates that are required to be submitted as part of the request for funding. In fiscal years 2006 and 2007 Transportation Sales Tax capital expenditures are \$4.7 million and \$5.6 million respectively. The following projects are included as part of the Capital Improvement Program: Fourth Avenue Reconstruction from SR 54 to Davidson (\$3.5 million) Castle Park Sidewalk Improvements (\$0.15 million), Fourth Avenue Sidewalk Improvements from L Street to Orange Avenue (\$1.2 million), Third Avenue Sidewalk Installation from D Street to Fourth Avenue (\$0.3 million), Pavement Rehabilitation (\$4.6 million), North Broadway Reconstruction (\$0.4 million), Sidewalk Rehabilitation Citywide (\$0.1 million) and Advanced Planning (\$0.1 million).

Transportation Development Impact Fee

The Transportation Development Impact Fee (TDIF) is charged to all new development in the geographical area of eastern Chula Vista; the fee is utilized to fund specific street and highway improvements in eastern Chula Vista that are required due to new development. In fiscal years 2006 and 2007 the TDIF capital expenditures included in the budget total \$465,000. While the amount actually appropriated through the budget is relatively small, in terms of currently active projects, there is a total of \$17.3 million of projects underway. These include the projects discussed above - Olympic Parkway Interchange, Ramp Improvements at East H Street and I-805 (\$3.3 million), Otay Lakes Road Widening from East H Street to Canyon Drive (\$1 million) and the Willow Street Bridge Replacement (\$1.1 million). The TDIF fee is calculated to fund approximately \$240 million of street and highway improvements. These improvements will occur over an extended period of time, possibly up to 20 years.

Residential Construction Tax

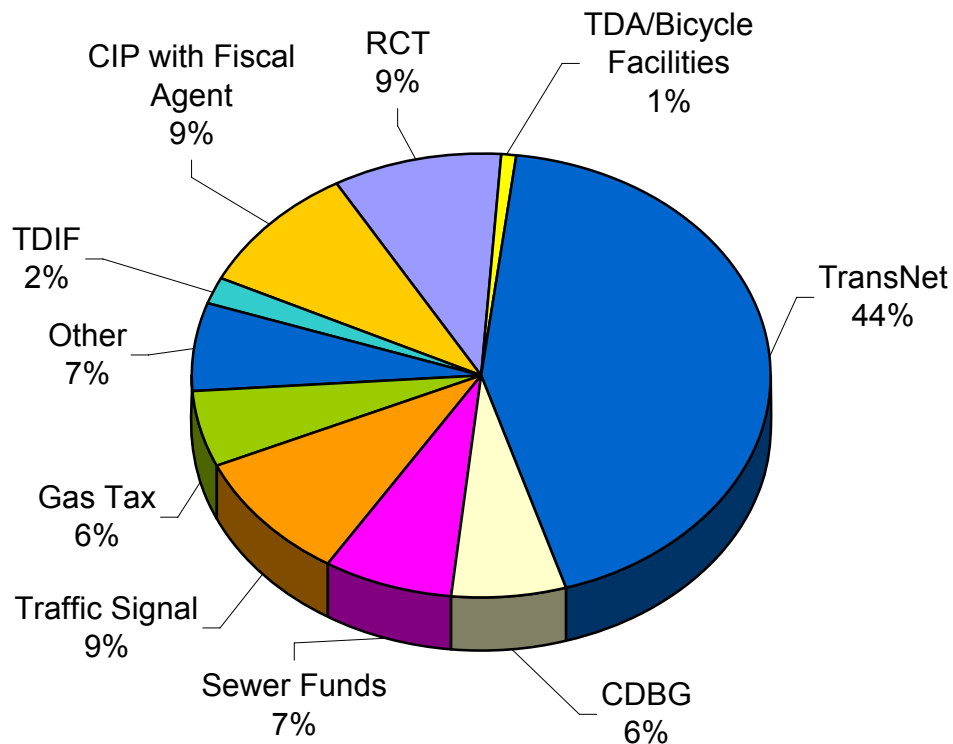
The Residential Construction Tax (RCT) is paid in conjunction with the construction of new residential dwelling units at the time of building permit issuance. In fiscal years 2006 and 2007 RCT capital expenditures total \$1.6 million and \$0.6 million respectively. The funds can be utilized for a variety of municipal purposes including infrastructure improvements, park and recreation facilities and other capital improvements. In fiscal years 2006 and 2007, RCT revenues will be used for twenty-three different capital projects including drainage improvements, street improvements, installation of streetlights, parking lot renovations, building projects, parks and recreation projects and minor capital equipment purchases. The actual amount of funding for projects will be reduced to the approximate \$600,000 per year level in fiscal year 2007, as that is when the debt service payments for the financing program for western Chula Vista projects will begin.

Community Development Block Grants

Community Development Block Grants (CDBG) are funds the City receives from the United States Department of Housing and Urban Development (HUD). With respect to capital improvement projects, the funds are predominantly utilized to make improvements in areas that meet HUD income criterion; for fiscal years 2006 and 2007 they represent \$1.1 million and \$450,000 respectively. The funds are targeted at census tracts and blocks that have average income levels below most areas of the City. In fiscal years 2006 and 2007, ten projects are to be funded with CDBG funds; these projects include drainage improvements, street and sidewalk improvements, park improvements and minor building renovations at the Norman Park Center and Otay Recreation Center. Similar to the RCT expenditures above, the fiscal year 2007 amounts are estimated lower in the anticipation of debt service payments on the CDBG funded portion of the financing plan for western Chula Vista infrastructure improvements.

The following chart summarizes the funding sources for the Capital Improvement Program for fiscal year 2006 and 2007.

**Key Funding Sources by Category
Fiscal Years 2006 and 2007**



CIP PROJECT GEOGRAPHICAL BALANCE

Council has indicated that one of its primary goals in the coming years is a renewed focus on capital and infrastructure needs in the western portion of the City. For this discussion, the term western refers essentially to those areas of the City west of Interstate 805. As a sub-area in the western portion of the City, the projects that are specific to the Montgomery area are broken out separately. Also, a category of projects has been developed that is called Citywide.

The types of projects that are typified by Citywide are the annual pavement rehabilitation program, sidewalk rehabilitation program, ADA Curb ramp program, corrugated metal pipe rehabilitation/replacement, and sewer facility rehabilitation program.

As the eastern portion of the City continues to rapidly develop, there is a substantial need for infrastructure improvements. Developers, as part of their development approval obligations, construct many of the improvements that occur in the eastern portions of the City. For this reason, those projects which provide public benefit are not part of the City's CIP program. The actual amounts proposed for the four geographical areas are depicted below:

Location	Fiscal Year 2006	Percentage	Fiscal Year 2007	Percentage
Citywide	\$5,023,858	40%	\$3,997,644	44%
Eastern CV	\$1,124,514	9%	\$1,055,000	11%
Western CV	\$4,179,391	33%	\$4,075,000	44%
Montgomery	\$2,212,387	18%	\$100,000	1%
Total	\$12,540,150	100%	\$9,227,644	100%

**Capital Improvement Program by Location
Fiscal Years 2006 and 2007**

